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# College Pension Plan

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# 2000 Annual Report

**September 1, 1999 to August 31, 2000**

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# MESSAGE FROM THE BOARD

The new College Pension Board of Trustees is pleased to present our first report that covers the College Pension Plan fiscal year ending August 31, 2000.

## Joint Trusteeship

Effective April 1, 2000, the College Pension Plan's sole trustee appointed by the provincial government was replaced by an eleven-member board of trustees. Ten of the trustees were appointed by the pension plan partners. The eleventh member, the chair, was appointed by the trustees. The partners are the provincial government, the Post-Secondary Employers' Association, the College Institute Educators' Association and the B.C. Government and Service Employees' Union. The new College Pension Board of Trustees has an expanded role from the previous advisory board. The roles and responsibilities of the partners and the trustees are described in a later section of this report.

The establishment of joint trusteeship is a historic event in the life of the College Pension Plan. Under joint trusteeship, plan employers and plan members will share gains or surpluses as well as liability for deficiencies in the pension fund.

## Financial Soundness

We are pleased to report that the College Pension Plan is financially sound. At the last actuarial valuation (August 31, 1997) the plan had an actuarial funding surplus for basic benefits of $57 million. A current actuarial valuation, as at August 31, 2000, is in progress. It is expected that the continued experience of lower than assumed wage increases and greater than assumed investment returns should result in increased surpluses. Other benefits, such as inflation protection to the basic pension and extended health, dental and Medical Services Plan coverage, are not guaranteed. The board monitors the ability of the account to continue to provide these benefits on an ongoing basis. Our analysis indicates the plan will be able to maintain its ability to provide these benefits for at least 20 years.

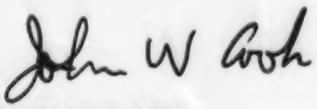
During the year, the annual market rate of return exceeded 21% and the five-year average market value rate of return exceeded 14.5%. The net assets of the plan increased to $1.3 billion at August 31, 2000.

## Benefits Administration

We are not as pleased to report that service to plan members in the past year has been less than satisfactory. The combined impact of constraints on staff hiring and the need to use front-line staff in the design, development and implementation of the new computer system (IPAS) has caused significant backlogs. Notwithstanding this, all new pensioners who provided the necessary information received their first payment within one month of their retirement.

We are pleased to report that, as a result of increases in staffing and the successful implementation of IPAS, the backlogs are starting to decrease. The board appreciates all the additional effort by Pension Corporation staff and the patience of plan members and employers while we work through this difficult period.

Next year, after the board's first full year of being responsible for the pension plan, we expect to report that service levels have improved significantly and meet the objectives set by the board. We look forward to serving the College Pension Plan and its members. We may be contacted through the addresses on the back page.



John W. Cook, Chair

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TRUSTEES AS OF AUGUST 31, 2000

John W. Cook, Chair
Dan Bradford
Jack Bradshaw
Marilyn Duggan
Andy Jani
Bruce Kennedy
Tom Kozar
Paul Martin (alternate)
Valerie Mitchell
Cliff Neufeld
Bonnie Pearson
John Wilson

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## Investments as at August 31, 2000

$ Millions

| | Performance Benchmarks 2000 | 2000 | 1999 |
|---|---|---|---|
| Market Value | | $1,339.8 | $1,084.1 |
| Market Value Rates of Return | | | |
| Basic Account | | | |
| Annual | 22.5% | 21.4% | 16.1% |
| Five-year Average | 14.9% | 14.8% | 12.3% |
| Inflation Account | | | |
| Annual | | 21.9% | 16.6% |
| Five-year Average | | 14.9% | 12.2% |

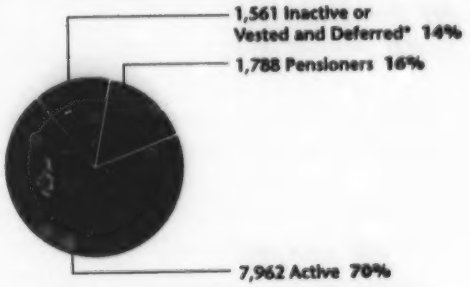
## Latest Actuarial Valuation–August 31, 1997

$ Millions

| | Basic Pension Benefits Net Surplus (Unfunded) | |
|---|---|---|
| | 1997 | 1994 |
| For Funding Purposes (statutory contributions)* | $ 57.3 | ($28.4) |
| Ratio of Surplus (Unfunded Liability) to Covered Payroll* | 19% | (11%) |
| Based on Accrued Benefits to August 31 | $129.0 | $31.9 |

* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

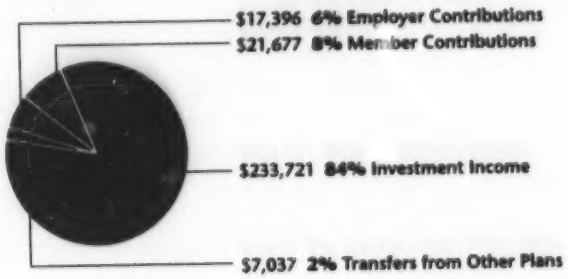
## 2000 Membership Profile



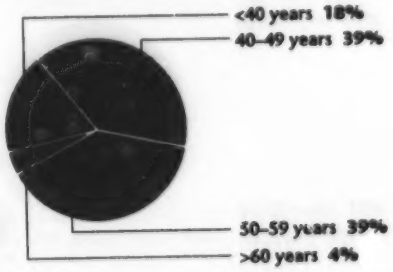

* MEMBERS NO LONGER EMPLOYED, BUT WITH MONEY IN THE PLAN.

## 2000 Revenue

$ Millions

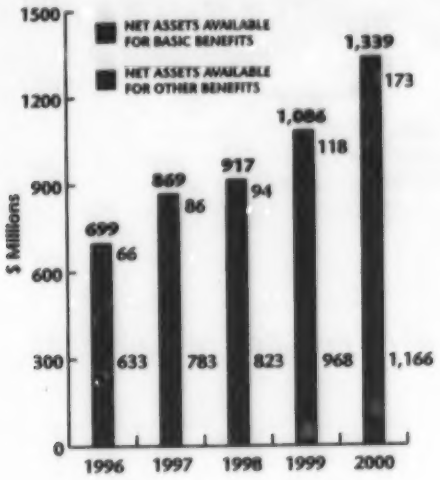

$17,396 6% Employer Contributions
$21,677 8% Member Contributions
$233,721 84% Investment Income
$7,037 2% Transfers from Other Plans

## 2000 Age Profile of Active Contributors



## Net Assets Available for Benefits

as at August 31, 1996–2000




## Five-year Summary Statement of Changes in Net Assets Available for Benefits (Unaudited)

$ Thousands

| For the year ended August 31 | 2000 | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|---|
| **Increase in Assets** | | | | | |
| Net Investment Income | | | | | |
| Total Investment Income | $235,458 | $149,442 | $26,057 | $149,422 | $81,636 |
| Investment Management Costs | (1,737) | (1,628) | (1,692) | (1,192) | (801) |
| | 233,721 | 147,814 | 24,365 | 148,230 | 80,835 |
| Contributions | | | | | |
| Members | 21,677 | 22,254 | 21,240 | 18,559 | 17,700 |
| Employers | 17,396 | 21,571 | 21,812 | 19,213 | 18,237 |
| Transfers from Other Plans | 7,037 | 618 | 161 | 808 | 625 |
| Total Increase in Assets | 279,831 | 192,257 | 67,578 | 186,810 | 117,467 |
| **Decrease in Assets** | | | | | |
| Pension Benefits | 21,307 | 17,331 | 14,949 | 12,794 | 10,953 |
| Termination Benefits | 2,145 | 3,209 | 2,800 | 2,303 | 1,585 |
| Transfers to Other Plans | 375 | 326 | 212 | 63 | 179 |
| Supplemental Benefits | 1,605 | 1,257 | 1,099 | 893 | 708 |
| Administration Costs | 844 | 1,090 | 1,105 | 582 | 502 |
| Total Decrease in Assets | 26,276 | 23,213 | 20,165 | 16,635 | 13,927 |
| Increase in Net Assets | 253,555 | 169,044 | 47,413 | 170,175 | 103,540 |
| Net Assets Available for Benefits at Beginning of Year | 1,085,679 | 916,635* | 869,222 | 699,047 | 595,507 |
| * The 1999 Annual Report Summary reported $919.6 Million; the correct figure is $916.6 Million. | | | | | |
| Net Assets Available for Benefits at End of Year | $1,339,234 | $1,085,679 | $916,635 | $869,222 | $699,047 |
| | | | As a Percentage of Net Assets | | |
| Benefit Administration Costs | .06% | .10% | .12% | .07% | .07% |
| Investment Management Costs | .13% | .15% | .18% | .14% | .11% |

# ROLES AND RESPONSIBILITIES

The College Pension Plan became a jointly trusteed pension plan on April 1, 2000, under Schedule A of the *Public Sector Pension Plans Act*. The College Pension Plan was established with the agreement of the partners. The Act describes the composition, appointment, powers, functions and duties of the trustees to manage the pension plan and fund.

The partners are responsible for appointing the trustees, directing amendments to the plan, if certain conditions are met, and resolving trustee disputes. The new College Pension Board of Trustees is fully responsible for the management of the pension fund, including the investment of the assets, and the administration of the pension plan. The Board of Trustees may amend the pension plan rules as long as pension fund surpluses can fund the changes. The plan partners must approve changes to plan rules that result in changes in contribution rates. If the actuary determines that it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

Effective April 1, 2000, the British Columbia Pension Corporation (Pension Corporation) replaced the Superannuation Commission as the sole provider of benefit administrative services to the pension plan. The Pension Corporation is answerable to the board of trustees for benefit administration service levels.

Effective January 1, 2000, the British Columbia Investment Management Corporation (bcIMC) replaced the office of the Chief Investment Officer. The bcIMC is directly answerable to the Board of Trustees for providing investment management services within investment policies approved by the trustees.

# THE PLAN AND BENEFITS

The College Pension Plan is a contributory defined benefit pension plan. This means that employees' basic pensions are guaranteed regardless of the financial health of the plan. Benefits are based on an employee's highest five years of salary, length of service and age at retirement. The plan provides immediate entitlement to a pension upon enrolment. The plan also provides survivor and disability benefits.

# INVESTMENTS

## Message from the Chief Investment Officer

### Review of Markets

Fiscal 1999/00 was a very strong year for the College Pension Plan. Overall, the College basic account earned a 21.4% return and the inflation adjustment account's return was even higher at 21.9%. The five-year annualized returns were 14.8% and 14.9% respectively.

Within individual asset classes, Canadian stocks were the strongest performers in fiscal 1999/00. The TSE 300 Index fund provided an amazing 63.1% return (versus 63.4% for the benchmark). This result was largely attributable to one company, Nortel Networks.

It should be noted that for diversification reasons, the active equity managers have a much lower holding in Nortel than the index. As a result, they underperformed the TSE 300 Index by a significant margin. However, with a 40.6% annual return, their results were still very good.

While we are obviously pleased with the strong returns, it now appears that August 31, 2000, may have been a peak for equity markets. Part of this stems from very high equity valuations, particularly for telecommunications, media and technology companies. Part of it stems from the prospect that the U.S. economy is slowing. The net effect is that markets have been weaker since the year-end and we are expecting much more subdued returns in 2000/01. This illustrates why it is important to assess investment results from a longer-term perspective.

### Organizational Change

The British Columbia Investment Management Corporation (bcIMC) was established in November, 1999, under the *Public Sector Pension Plan Act*. The corporation assumed responsibility for managing the trust assets on January 1, 2000. I am pleased to report that 100% of our staff transferred to the new corporation.

The purpose of this change in organizational structure was twofold. First, it places investment management at arm's length to government. Second, it improves the governance and accountability framework by giving clients a more meaningful say in the management of the investment agency.

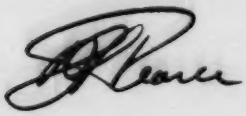
Under the new structure, bcIMC has a seven-person Board of Directors made up from its clients. This includes a representative from the College Pension Board of Trustees. The Board of Directors is responsible for overseeing the administration of the corporation (e.g., approval of budgets, business plan, audits, financial statements, etc.).

However, the College Pension Board of Trustees, not bcIMC's Board of Directors, is legally responsible for establishing investment policies for the College Pension Plan. In fact, bcIMC's Board of Directors is legislatively prohibited from getting involved in any investment decisions.

Our mandate is clear and unencumbered. We are an agent of the College Pension Board of Trustees and are to provide a high level of client support, achieve long-term investment returns in excess of market benchmarks, while ensuring that risks and costs are managed in a prudent and appropriate manner. Our size and structure provides significant cost advantages to our clients, and these savings are passed on to the College Pension Plan as our fees are designed to recover the costs of operations.

It is important to note that under the new model, bcIMC's clients are not restricted to using the investment services of the corporation. Rather, if the trustees believe that it is in the best financial interest of their fund, they can establish alternative fund management arrangements. This will ensure that good client service and prudent fund management remain the cornerstones of bcIMC's fund management services.

The new structure represents an important step forward for the agency and has already helped in building a stronger team, particularly in the area of information technology and systems support. I am confident that the change in structure will lead to a stronger and more dynamic organization, which is better positioned to meet the challenges of global fund management.



Doug Pearce
Chief Investment Officer
BC Investment Management Corporation

### Approved Basic Investment Asset Mix

| Asset Class | Market Value Lower Limit | Upper Limit |
|---|---|---|
| **Debt** | **25%** | **45%** |
| Short-term | 0% | 10% |
| Mortgages | 0% | 10% |
| Bonds | 20% | 40% |
| **Equity** | **55%** | **75%** |
| Canadian Stocks | 15% | 30% |
| U.S. Stocks | 5% | 20% |
| Europe, Asia, Far East Stocks | 10% | 25% |
| Real Estate | 5% | 15% |
| Private Placements | 0% | 6% |

## Approved Investment Asset Mix

The College Pension Fund holds a diversified portfolio of debt and equity investments that facilitates prudent management of risk. The plan's net assets grew 23% in 2000 to over $1.3 billion at August 31, 2000.

The trustee and the College Pension Board of Trustees approved the asset mix range shown in the accompanying chart. This asset mix was in effect during the 2000 fiscal year.

Strategic and short-term asset allocation targets are set within these ranges. Short-term for asset mix purposes includes government bonds with one- to five-year terms and money market funds.

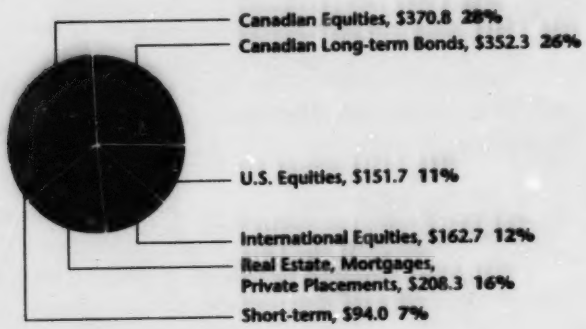
## Investment Portfolio

### Investments Held as at August 31, 2000

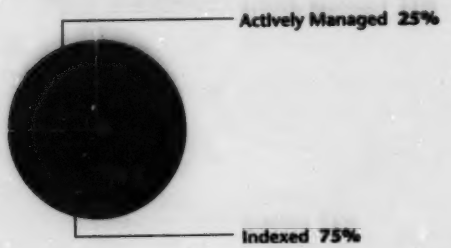
| | Market Value | Asset Mix % Market Value |
|---|---|---|
| **Province of BC Pooled Investment Portfolio Units** | | |
| Money Market | $ 50,539,710 | 4% |
| Canadian Bonds | | |
| Government | 295,614,793 | |
| Corporate | 40,123,298 | 28% |
| Short-term (to 5 years) | 43,691,932 | |
| Canadian Equities | | |
| Indexed | 277,428,472 | |
| Actively Managed | 92,511,682 | 28% |
| U.S. Equities | | |
| Indexed | 78,462,249 | |
| Actively Managed | 73,200,537 | 11% |
| International Equities | | |
| Asia | 29,297,589 | |
| Europe | 50,012,100 | |
| Europe, Australia and the Far East | 83,342,103 | 12% |
| Real Estate | 131,076,392 | 10% |
| Mortgages | 42,360,227 | 3% |
| Private Placements | 34,891,727 | 3% |
| **Total Pooled Portfolios** | $1,322,372,811 | 99% |
| Canadian Real Return Bonds | 16,542,258 | 1% |
| Canadian Equities | 873,738 | |
| **Total Investments** | $1,339,788,807 | 100% |
| 1999 Comparison | $1,084,117,562 | |

### 2000 Investment Holdings (Market Value)

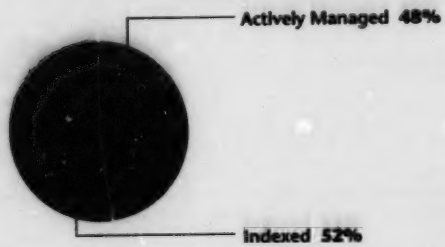
$ Millions


Canadian Equities, $370.8 28%
Canadian Long-term Bonds, $352.3 26%
U.S. Equities, $151.7 11%
International Equities, $162.7 12%
Real Estate, Mortgages, Private Placements, $208.3 16%
Short-term, $94.0 7%

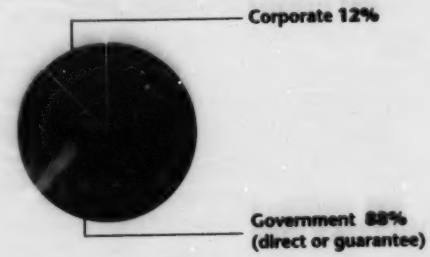
### Canadian Equities (Market Value)



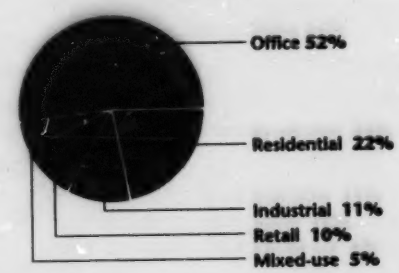

### U.S. Equities (Market Value)



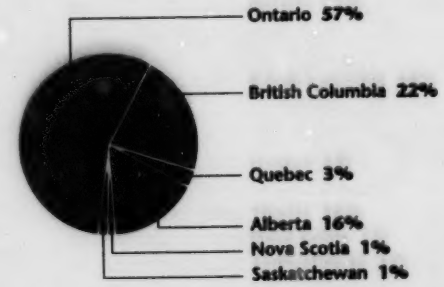

### Canadian Bonds (Market Value)



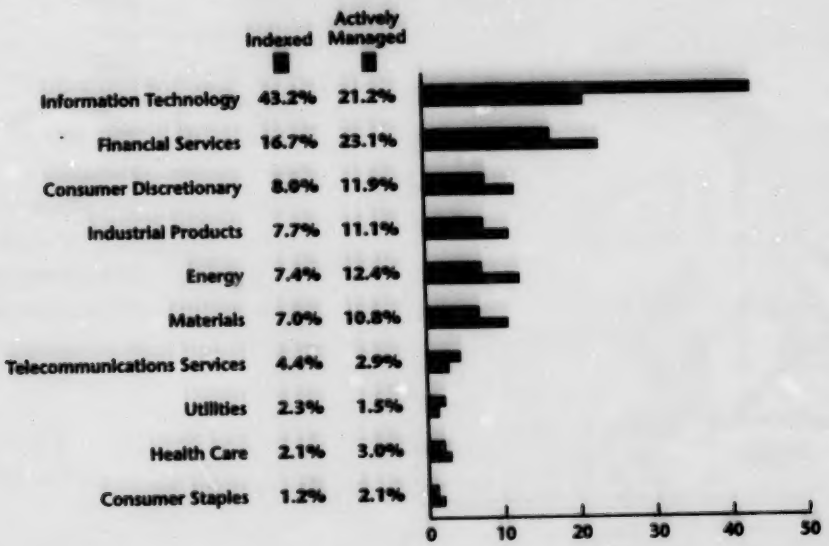

### Real Estate, By Type



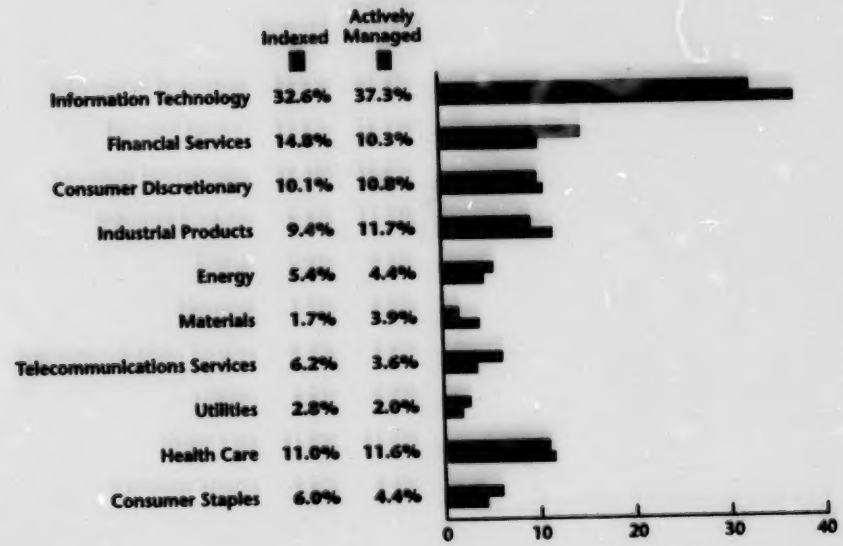

### Real Estate, by Location



## Canadian Equities, by Sector




## U.S. Equities, by Sector



### International Equities

## Investment Performance

### Net Earned Rate of the Fund

| Year | % |
|---|---|
| 1996 | 10.7 |
| 1997 | 12.3 |
| 1998 | 9.8 |
| 1999 | 12.3 |
| 2000 | 14.8 |

RATES OF RETURN ARE BASED ON A FIVE-YEAR AVERAGE.

## Market Value Rates of Return for the Year Ended August 31, 2000

| | Basic Account | Inflation Adjustment Account | 2000 Performance Benchmarks | |
|---|---|---|---|---|
| **Five-year Average Rates** | | | | |
| 2000 | 14.8% | 14.9% | 14.9% | |
| 1999 Comparison | 12.3% | 12.2% | 12.1% | |
| **Annual Rates** | | | | |
| 2000 | 21.4% | 21.9% | 22.5% | |
| 1999 Comparison | 16.1% | 16.6% | 17.2% | |
| **2000 Annual Rates by Investment Category** | | | 2000 Performance Benchmark Indices | |
| Short-term | | | | |
| Money Market | 5.5% | 5.5% | 5.2% | SCI 91-Day T-Bills |
| Short-term Bonds | 5.8% | 5.8% | 5.9% | Short-term Government Bonds |
| Bonds | | | | |
| Government | 6.4% | 6.4% | 6.6% | SCI Government Universe |
| Corporate | 6.7% | – | 6.5% | SCI Corporate Universe |
| Real Return | – | 15.3% | – | |
| Canadian Equities | | | | |
| Actively Managed | 40.6% | 40.6% | 63.4% | TSE 300 |
| Indexed | | | | |
| TSE 300 | 63.1% | 63.1% | 63.4% | TSE 300 |
| TSE 100 | 70.4% | 70.4% | 69.9% | TSE 100 |
| U.S. Equities | | | | |
| Actively Managed | 22.9% | 22.9% | 18.7% | R 1000 |
| Indexed | 15.2% | 15.2% | 15.0% | S&P 500 |
| International Equities | | | | |
| Asia | 14.3% | 14.3% | 7.6% | MSCI Pacific Basin |
| Europe | 10.2% | 10.2% | 8.5% | MSCI Europe |
| Europe, Australia and the Far East | 10.0% | 10.0% | 8.3% | MSCI Europe, Australia, Far East |
| Real Estate | 8.6% | 8.6% | 9.1% | R Canadian Property |
| Mortgages | | | | |
| Fixed-term | 8.4% | 8.4% | 7.0% | SCI Short-term Bonds + 1% |
| Construction | 8.6% | 8.6% | 6.2% | SCI Treasury Bills + 1% |

**Performance Benchmark Indices Abbreviations**

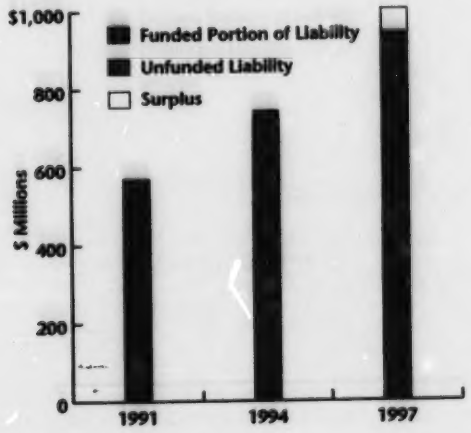
SCI = Scotia Capital Inc.
MSCI = Morgan Stanley Capital International
S&P = Standard & Poor's
R = Russell
TSE = Toronto Stock Exchange

SOURCE OF ANNUAL RATES: BC INVESTMENT MANAGEMENT CORPORATION

# ACTUARIAL VALUATION/ PLAN FUNDING

At least every three years, an independent actuary assesses the plan's financial health and the adequacy of the contribution rates for funding the plan. At the most recent actuarial valuation on August 31, 1997, the College Pension Fund had a surplus for basic pension benefits of $57 million. The valuation for August 31, 2000, is in progress.

**Funding of Basic Benefits**




**Latest Actuarial Valuation–August 31, 1997**
**Basic Pension Benefits**

$ Millions

| | Basic Pension Benefits Net Surplus (Unfunded) | | |
|---|---|---|---|
| | 1997 | 1994 | 1991 |
| For Funding Purposes (statutory contributions)* | $57.3 | ($28.4) | ($44.5) |
| Ratio of Surplus (Unfunded) Liability to Covered Payroll* | 19% | (11%) | (22%) |
| Based on Accrued Benefits to August 31 | $129.0 | $31.9 | $5.9 |

* ASSUMING CONTRIBUTIONS CONTINUE AT EXISTING STATUTORY RATES.

# EMPLOYERS AND PLAN MEMBERSHIP

Members of the College Pension Plan are senior administrative employees and faculty members of British Columbia colleges.

Membership in the College Pension Plan grew 8% in 2000. Today, there are over 9,500 plan members and over 1,700 pensioners.

## College Pension Plan's 24 Employers

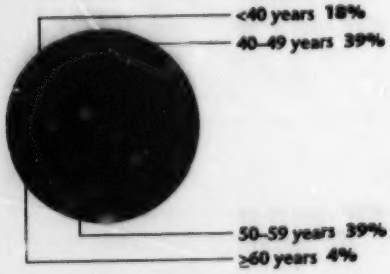
| EMPLOYER NAME | EFFECTIVE DATE |
|---|---|
| British Columbia Institute of Technology (Burnaby) | January 12, 1978 |
| Camosun College (Victoria) | June 1, 1971 |
| Capilano College (North Vancouver) | September 1, 1968 |
| College of New Caledonia (Prince George) | September 1, 1968 |
| College of the Rockies (Cranbrook) | May 8, 1975 |
| Douglas College (New Westminster) | April 1, 1970 |
| Emily Carr Institute of Art and Design (Vancouver) | January 19, 1978 |
| Institute of Indigenous Government (Vancouver) | May 26, 1995 |
| Justice Institute of B.C. (Vancouver) | April 27, 1978 |
| Kwantlen University College (Surrey) | July 1, 1981 |
| Langara College (Vancouver ) | April 1, 1994 |
| Lester B. Pearson College of the Pacific (Victoria) | January 31, 1974 |
| Malaspina University-College (Nanaimo) | January 1, 1969 |
| Nicola Valley Institute of Technology (Merritt) | September 1, 1995 |
| North Island College (Comox) | August 1, 1975 |
| Northern Lights College (Dawson Creek) | September 1, 1975 |
| Northwest Community College (Terrace) | September 1, 1975 |
| Okanagan University College (Kelowna) | September 1, 1968 |
| Open Learning Agency (Vancouver) | June 1, 1976 |
| Royal Roads University (Victoria) | January 1, 1998 |
| Selkirk College (Castlegar) | September 1, 1968 |
| The University College of the Cariboo (Kamloops) | January 1, 1970 |
| University College of the Fraser Valley (Abbotsford) | November 1, 1974 |
| Vancouver Community College (Vancouver) | September 1, 1968 |

## Contributors

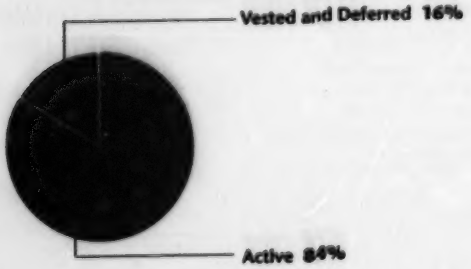
There are two categories of contributors.

- Active—those who are currently contributing, or are on a leave of absence, or are receiving benefits from an approved salary continuance plan.
- Vested and deferred—those who have terminated their employment and are eligible for a pension in the future. From 1997 onward, the number of vested and deferred members has been adjusted to include inactive members who are active in another BC Family of Plans pension plan, and are likely to have a vested entitlement on a combined plan basis.

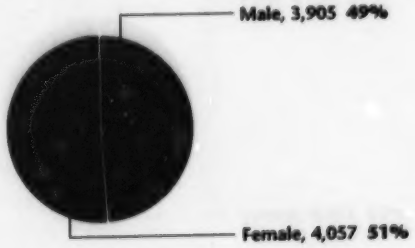
**2000 Age Profile of Active Contributors**



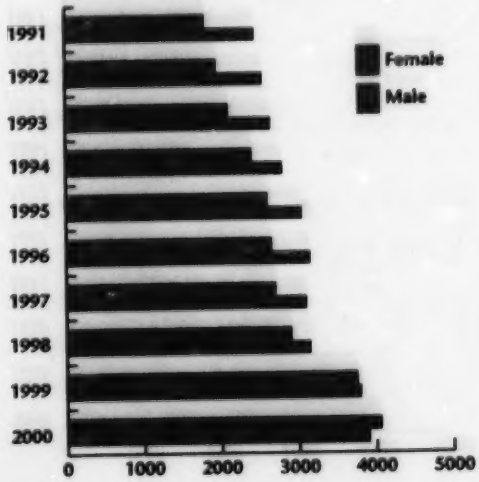

**2000 Contributor Profile**




**2000 Active Contributor Profile**




**Active Contributors**

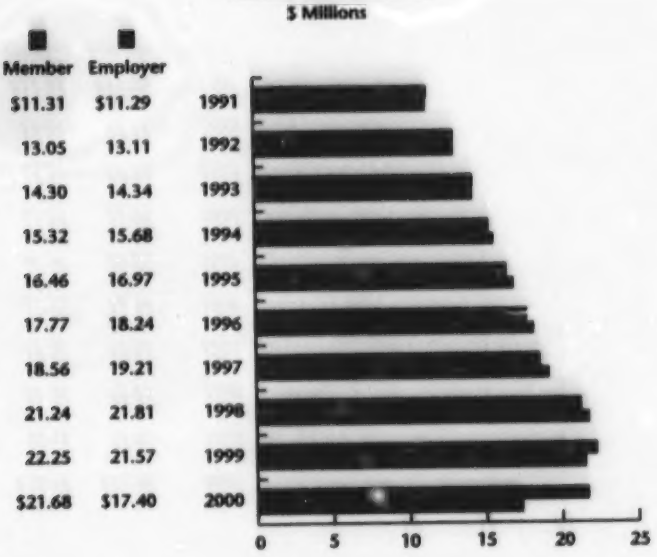


## Number of Contributors

| | Active | Vested and Deferred | Total |
|---|---|---|---|
| 1996 | 6,154 | 1,299 | 7,453 |
| 1997 | 6,217 | 1,752 | 7,969 |
| 1998 | 6,307 | 2,004 | 8,311 |
| 1999 | 7,342 | 1,480 | 8,822 |
| 2000 | 7,962 | 1,561 | 9,523 |

## Contributions

$ Millions



## Termination Benefits

A terminating member is eligible for one or more of the following benefits:

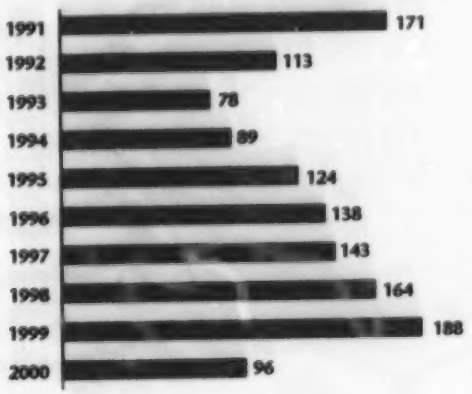
- a refund of contributions with interest
- a transfer of the commuted value of the pension benefit to a locked-in registered retirement savings plan or a registered pension plan, or
- a deferred pension.

The number of termination benefits paid can vary significantly from year to year, depending on the employment environment. There have been significant fluctuations over the last 10 years, with an increase in the numbers of terminations in the last three years. The number of termination benefits paid in 2000 decreased 49% from 1999.

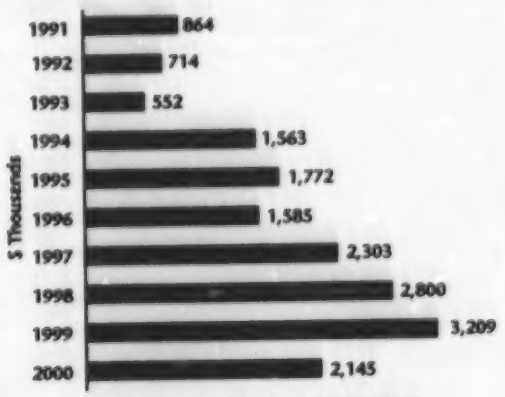
The value of a termination benefit increased significantly from 1994 onward with the introduction of the commuted value payment, which allowed members to transfer the value to a locked-in registered retirement savings plan or equivalent vehicle. Typically, commuted values (which represent the net present value of a future pension entitlement) are significantly higher in dollar value than members' personal accumulated contributions.

If a member leaves the plan and takes a refund of contributions, the refund includes interest. Interest compounds annually and is credited to the member's contribution balance. The balance, including interest, is included in the plan member's annual benefit statement.

### Number of Termination Benefits Paid




### Value of Termination Benefits Paid




TERMINATION BENEFITS PAID INCLUDE ONLY REFUNDS OF CONTRIBUTIONS AND COMMUTED-VALUE PAYMENTS; DEFERRED PENSIONS ARE INCLUDED IN PENSION STATISTICS.

### Annual Rates for Interest Credited to Contribution Balances

| | |
|---|---|
| 1996 | 5.91% |
| 1997 | 4.77% |
| 1998 | 4.30% |
| 1999 | 4.27% |
| 2000 | 5.32% |

The rate of interest is governed by pension standards and pension plan legislation and is based on average bank five-year personal term deposit rates, subject to a 4% minimum.

## Pensions

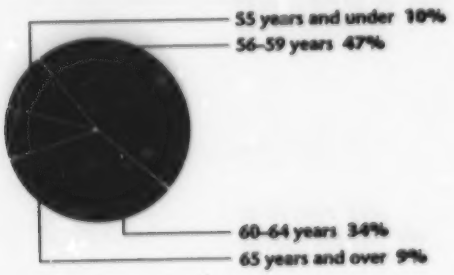
The number of pensioners continues to grow, primarily as a result of the aging population of plan members. The number of pensions granted in 2000 was approximately 50% greater than in 1999. This increase was primarily a result of the government and colleges' early retirement program. The number of pensioners on payroll increased 15%.

Pensions are paid at the end of each month, starting with whichever of the following comes latest:

- the month following the month in which the plan member becomes eligible
- the month following the month in which the plan member receives the final salary, or
- the month in which the Pension Corporation receives the member's application.

The plan pays a full month's pension for the month in which a pensioner dies.

**Percentage of 2000 Normal Pensions Granted by Age**




**Pensions 1991–2000**

| | Granted during Year | Pension Terminations | In Force at End of Year | Basic Pensions Paid ($ Millions) | Inflation Supplements Paid ($ Millions) | Total ($ Millions) |
|---|---|---|---|---|---|---|
| 1991 | 61 | 2 | 693 | $4.7 | $1.0 | $5.7 |
| 1992 | 88 | 11 | 770 | 5.4 | 1.2 | 6.6 |
| 1993 | 60 | 9 | 821 | 6.2 | 1.3 | 7.5 |
| 1994 | 74 | 15 | 880 | 7.0 | 1.4 | 8.4 |
| 1995 | 97 | 1 | 976 | 8.1 | 1.4 | 9.5 |
| 1996 | 131 | 14 | 1,093 | 9.4 | 1.5 | 10.9 |
| 1997 | 163 | 10 | 1,246 | 11.1 | 1.7 | 12.8 |
| 1998 | 165 | 23 | 1,388 | 13.1 | 1.8 | 14.9 |
| 1999 | 169 | 6 | 1,551 | 15.4 | 1.9 | 17.3 |
| 2000 | 253 | 16 | 1,788 | $19.1 | $2.2 | $21.3 |

The value of a basic pension depends on a number of factors, including the member's age, salary and years of service at retirement.

The table below shows the average asset value ("present value") of pensions granted during the year. The value represents approximately how much money it would cost to purchase an average pension provided under the College Pension Plan.

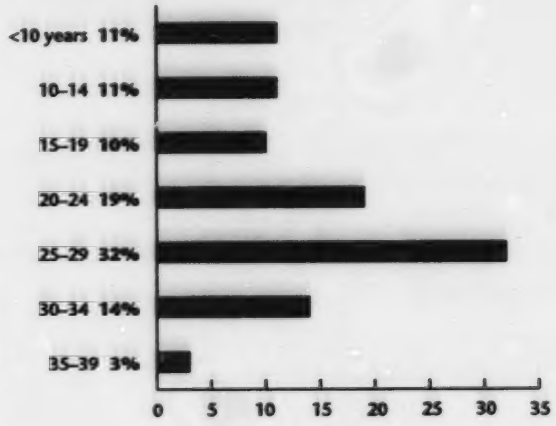
## Present Value of Normal Pensions Granted September 1, 1999 to August 31, 2000

Subdivided by Years of Service

| Years of Service* | Number of Pensions Granted | Average Annual Salary Base | Average Annual Pension (Single Life Option) | Average Present Value of Pensions | Total Present Value of Pensions ($ Millions) |
|---|---|---|---|---|---|
| <10 yrs | 23 | $45,000 | $ 5,000 | $ 59,000 | $ 1.4 |
| 10–14 | 23 | 60,000 | 12,000 | 167,000 | 3.8 |
| 15–19 | 20 | 63,000 | 19,000 | 240,000 | 4.8 |
| 20–24 | 38 | 65,000 | 24,000 | 343,000 | 13.0 |
| 25–29 | 63 | 67,000 | 29,000 | 415,000 | 26.1 |
| 30–34 | 29 | 67,000 | 34,000 | 489,000 | 14.2 |
| 35–39 | 6 | 70,000 | 40,000 | 542,000 | 3.2 |
| Total | 202 | n/a | n/a | n/a | $66.5 |
| All Pension Average | n/a | $62,000 | $22,000 | $329,000 | n/a |

* YEARS OF SERVICE INCLUDES SERVICE TRANSFERRED FROM OTHER PLANS.

## Percentage of 2000 Normal Pensions Granted by Years of Service



### Pensions Granted, by Type 1991–2000

| | Normal* | Death* | Disability+ | Deferred | Total |
|---|---|---|---|---|---|
| 1991 | 40 | 3 | 8 | 10 | 61 |
| 1992 | 57 | 11 | 9 | 11 | 88 |
| 1993 | 41 | 3 | 2 | 14 | 60 |
| 1994 | 53 | – | 2 | 19 | 74 |
| 1995 | 73 | 5 | 2 | 17 | 97 |
| 1996 | 92 | 7 | 4 | 28 | 131 |
| 1997 | 131 | 1 | 10 | 21 | 163 |
| 1998 | 122 | 4 | 7 | 32 | 165 |
| 1999 | 136 | 3 | 3 | 27 | 169 |
| 2000 | 202 | 6 | 15 | 30 | 253 |

* PENSIONS GRANTED DO NOT INCLUDE ANY PENSION CONTINUED TO A BENEFICIARY UPON THE DEATH OF A PENSIONER.
+ INCLUDES MEMBERS ON LONG-TERM DISABILITY WHO BECAME ELIGIBLE FOR A REGULAR PENSION.

### 2000 Normal Pensions Granted by Age at Retirement

Subdivided by years of service and age at retirement

| Years of Service | 55 | 56–59 | 60–64 | 65 | Total |
|---|---|---|---|---|---|
| <10 yrs | – | 6 | 10 | 7 | 23 |
| 10–14 | 2 | 6 | 10 | 5 | 23 |
| 15–19 | 3 | 4 | 10 | 3 | 20 |
| 20–24 | 5 | 24 | 5 | 4 | 38 |
| 25–29 | 8 | 37 | 18 | – | 63 |
| 30–34 | 2 | 16 | 11 | – | 29 |
| 35+ | – | 2 | 4 | – | 6 |
| Total | 20 | 95 | 68 | 19 | 202 |

## Other

### Portability Provisions

Portability allows pension plan members to carry some pension rights from one plan to another. For instance, members of the College Pension Plan may carry their years of pensionable service and contributions to a new plan at a different place of employment if the new plan has a portability agreement with the College Pension Plan. Employers who allow pension plan members to transfer their pension rights to other pension plans are called "reciprocal employers."

Members of the College Pension Plan who have made contributions to another pension plan should inquire about portability agreements.

In 2000, there were 108 reciprocal transfers in from other agencies totaling approximately $7,037,000 and 12 transfers out totaling approximately $375,000. As a result of changes in interplan portability provisions, transfers now include those between the College Pension Plan and three other British Columbia public sector plans (Public Service, Municipal and Teachers').

## Purchase of Additional Service

It may be possible for plan members to purchase additional service. This service may include:

- approved leaves of absence
- arrears contributions
- non-contributory services, and
- reinstatement of refunded contributions.

The number of purchases of additional service decreased from 1999 to 2000. This resulted primarily from a reduction in purchases of non-contributory service.

**Member and Employer Purchases of Additional Service**

| | Number of Purchases | | Value of Purchases ($ Thousands) | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Approved Leaves of Absence | 29 | 83 | $175 | $ 396 |
| Arrears Contributions | 5 | 42 | 8 | 362 |
| Non-contributory Service | 32 | 178 | 514 | 2,811 |
| Reinstatement of Refunded Contributions | 6 | 17 | 119 | 347 |
| Total | 72 | 320 | $816 | $3,916 |

## Communications

Communication with plan members is a priority of the College Pension Board of Trustees. Information about the plan is available on-line from **pensions.bc.ca**.

# Report of the Auditor General of British Columbia

*To the Members of the College Pension Plan, and*

*To the College Pension Board of Trustees:*

I have audited the statement of net assets available for benefits of the *College Pension Plan* as at August 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of the British Columbia Pension Corporation under the direction of the College Pension Board of Trustees. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the *College Pension Plan* as at August 31, 2000 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Wayne Strelioff, CA
Auditor General

*Victoria, British Columbia*
*December 6, 2000, except for Note 8(c), which is as of March 28, 2001*

## COLLEGE PENSION PLAN

## ADMINISTRATOR'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the College Pension Plan were prepared by the British Columbia Pension Corporation, the benefit administrator for the plan. The corporation is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Annual Report for the plan conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Partners Ltd. has been appointed the independent consulting actuary to the plan. The role of the actuary is to complete an actuarial valuation of the plan in accordance with accepted actuarial practice; the results of the valuation are included in the financial statements.

The Auditor General of British Columbia has performed an independent audit of the financial statements of the plan in accordance with generally accepted auditing standards. The resulting audit opinion is set out in the Report of the Auditor General attached to these financial statements.

JOHN A. MOCHRIE
Chief Executive Officer
British Columbia Pension Corporation

P. LOUISE YOUNG, C.A.,
Vice-President, Information Management,
Finance and Administration
British Columbia Pension Corporation

December 6, 2000

## COLLEGE PENSION PLAN
## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
*($ Thousands)*

| August 31 | 2000 | 1999 |
|---|---|---|
| **ASSETS** | | |
| Investments (Note 3) | $ 1,339,789 | $ 1,084,118 |
| Receivables | | |
| Members' contributions | 1,130 | 968 |
| Employers' contributions | 1,234 | 1,072 |
| Due from sale of investments | 16,000 | - |
| Accrued interest and dividends | 168 | 113 |
| | 18,532 | 2,153 |
| Prepaid expense | 290 | 141 |
| Cash | 455 | 491 |
| Total Assets | 1,359,066 | 1,086,903 |
| **LIABILITIES** | | |
| Payable for purchase of investments | 19,100 | - |
| Accounts payable and accrued expenses | 732 | 1,224 |
| Total Liabilities | 19,832 | 1,224 |
| **NET ASSETS AVAILABLE FOR BENEFITS** | $ 1,339,234 | $ 1,085,679 |

Obligations for Accrued Basic Pension Benefits for Accounting Purposes (Note 7)

The 11 accompanying notes are an integral part of these financial statements.

John W Cook

John W. Cook, F.C.I.A.,
Chair, College Pension Board of Trustees

Marilyn Duggan
Trustee

John Wilson
Trustee

## COLLEGE PENSION PLAN
## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
*($ Thousands)*

| For the year ended August 31 | Basic Account | Inflation Adjustment Account | Supplemental Benefits | Totals 2000 | Totals 1999 |
|---|---|---|---|---|---|
| **INCREASE IN ASSETS** | | | | | |
| Net investment income (Note 4) | $ 208,091 | $ 25,630 | $ - | $ 233,721 | $ 147,814 |
| Contributions (Note 5) | | | | | |
| Members | 18,086 | 3,591 | - | 21,677 | 22,254 |
| Employers | 13,519 | 2,260 | 1,617 | 17,396 | 21,571 |
| | 31,605 | 5,851 | 1,617 | 39,073 | 43,825 |
| Transfers from other plans | 5,409 | 1,628 | - | 7,037 | 618 |
| Total Increase in Assets | 245,105 | 33,109 | 1,617 | 279,831 | 192,257 |
| **DECREASE IN ASSETS** | | | | | |
| Pension benefits paid | | | | | |
| Contributory | 19,117 | - | 6 | 19,123 | 15,425 |
| Indexing supplements | 2,184 | - | - | 2,184 | 1,906 |
| | 21,301 | - | 6 | 21,307 | 17,331 |
| Termination benefits paid | 1,671 | 474 | - | 2,145 | 3,209 |
| Transfers to other plans | 285 | 90 | - | 375 | 326 |
| Retired member group benefits (Note 10) | - | - | 1,605 | 1,605 | 1,257 |
| Benefit administration costs (Note 9) | 838 | - | 6 | 844 | 1,090 |
| Total Decrease in Assets | 24,095 | 564 | 1,617 | 26,276 | 23,213 |
| **INCREASE IN NET ASSETS BEFORE TRANSFERS** | 221,010 | 32,545 | - | 253,555 | 169,044 |
| Account transfers (Note 6) | (22,549) | 22,549 | - | - | - |
| **INCREASE IN NET ASSETS** | 198,461 | 55,094 | - | 253,555 | 169,044 |
| **NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR** | 967,826 | 117,853 | - | 1,085,679 | 916,635 |
| **NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR** | $ 1,166,287 | $ 172,947 | $ - | $ 1,339,234 | $1,085,679 |

## COLLEGE PENSION PLAN
## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2000

### 1. DESCRIPTION OF THE COLLEGE PENSION PLAN

The College Pension Plan became a jointly trusteed pension plan on April 1, 2000, under Schedule A of the *Public Sector Pension Plans Act*. The College Pension Plan was established with the agreement of the partners. The act describes the composition, appointment, powers, functions and duties of the trustees to manage the pension plan and fund. The act that had previously governed the plan, the *Pension (College) Act*, was repealed.

#### a) General

The plan is a contributory defined benefit pension plan for senior administrative employees and faculty members of British Columbia colleges. For employees hired on or after September 1, 1999, full time senior administrative and faculty staff are required to participate; certain part time staff may do so voluntarily.

#### b) Roles and Responsibilities

The partners are responsible for appointing the trustees, directing amendment to the plan if certain conditions are met and resolving trustee disputes. The partners are the Provincial Government, the Post Secondary Employers' Association, the College Institute Educators' Association and the B.C. Government and Service Employees' Union.

Effective April 1, 2000, the College Pension Plan's sole trustee appointed by the Provincial Government was replaced by an eleven-member board of trustees. Ten of the trustees were appointed by the pension plan partners. The eleventh member, the chair, was appointed by the trustees. The new College Pension Plan Board of Trustees is fully responsible for the management of the pension plan. The Board of Trustees may amend the pension plan rules as long as changes can be funded by pension fund surplus. Plan changes that result in contribution rate changes can only be initiated by the partners.

Effective April 1, 2000, the Superannuation Commission was replaced by the British Columbia Pension Corporation (Pension Corporation) as the sole provider of administrative services to the pension plan. The Pension Corporation is answerable to the Board of Trustees for benefit administration service levels.

Effective January 1, 2000, the Office of the Chief Investment Officer was replaced by the British Columbia Investment Management Corporation (bcIMC). The bcIMC is directly answerable to the Board of Trustees for providing investment management services within investment policies approved by the trustees.

## COLLEGE PENSION PLAN
## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2000

### 1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

**c) Pension Benefits (continued)**

All members are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, with at least 35 years of service.

Other retiring members have a reduction formula applied to their pensions.

The plan benefit is integrated with the Canada Pension Plan (CPP). For members terminated on or after January 1, 1999, the plan provides an unreduced benefit of 1.35% of pensionable earnings, (1.3% for members terminated before January 1, 1999) up to the CPP Year's Maximum Pensionable Earnings (YMPE), and 2% of pensionable earnings over the YMPE for each year of pensionable service (to a maximum of 35 years) and 2% on pensionable service prior to January 1, 1966 (CPP integration date). Pensionable earnings is based on the member's highest five-year average salary (HAS).

The plan also provides an unreduced bridging benefit with CPP which is payable to age 65 (or the date of death if earlier). For members terminated on or after January 1, 1999, the bridging benefit is .65% (0.7% for members terminated before January 1, 1999) of the lesser of YMPE or the HAS for each year of pensionable service since January 1, 1966 when CPP was introduced.

Increases to pension payments are provided each January 1 in accordance with the indexing provisions of the plan. These increases are based on the annual increase in the Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6).

At January 1, 2000 retired members received a full CPI increase of 2.6% (1999 – 0.7%).

**d) Termination and Portability Benefits**

A terminating member who has not yet reached the earliest age at which the member would be eligible to receive an immediate pension is eligible to receive:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in RRSP, registered pension plan or similar tax-sheltered plan.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2000

## 1. DESCRIPTION OF THE COLLEGE PENSION PLAN (continued)

### d) Termination and Portability Benefits (continued)

A member who terminates under age 60 with less than two years of service may also choose a refund of his or her own contributions with interest.

Where there are portability arrangements between the College Pension Plan and other plans, members may be able to carry certain pension rights to those other plans, or transfer contributions and service from those other plans to increase pension benefits under the College Pension Plan.

### e) Other Benefits

Supplemental (Note 10), disability and survivor benefits are also available under the plan. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

### f) Income Taxes

The plan is a Registered Pension Plan (RPP) as defined in the *Income Tax Act (Canada)* and is not subject to income taxes, except for any supplemental benefits (Note 10) which are provided in addition to the RPP.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### a) Basis of Presentation

These financial statements present the aggregate financial position of the plan as a separate financial reporting entity, independent of the plan's contributing employers and members.

### b) Investments

Investments are stated at market value. Market value is derived from external quotations or appraisals. Investment purchases and sales are recorded on trade date.

### c) Investment Income

Investment income is recorded on the accrual basis.

## COLLEGE PENSION PLAN
## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2000

### 3. INVESTMENTS (Market Value)

| | 2000 | | | 1999 |
|---|---|---|---|---|
| | Basic Account | Inflation Adjustment Account | Total | Total |
| | | | *($ Thousands)* | |
| Short-term | $ 37,415 | $ 12,945 | $ 50,360 | $ 29,095 |
| Canadian Bonds | 349,664 | 46,308 | 395,972 | 361,779 |
| Canadian Equities | 329,289 | 41,525 | 370,814 | 305,191 |
| U.S. Equities | 134,488 | 17,175 | 151,663 | 120,562 |
| International Equities | 145,487 | 17,165 | 162,652 | 108,934 |
| Mortgages | 38,128 | 4,232 | 42,360 | 32,761 |
| Real Estate | 117,994 | 13,082 | 131,076 | 111,537 |
| Private Placements | 34,892 | - | 34,892 | 14,259 |
| | $1,187,357 | $152,432 | $1,339,789 | $1,084,118 |

Pension plan investments consist primarily of direct ownership in units of pooled investment portfolios, managed by the British Columbia Investment Management Corporation. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with terms of 15 months or less. Canadian bonds consist of government and corporate bonds and debentures. Equities consist primarily of publicly traded shares, and in the case of international equities refer to investments in Europe, Australia and the Far East.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of Canadian diversified income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets.

**COLLEGE PENSION PLAN**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED AUGUST 31, 2000**

## 4. INVESTMENT INCOME

| | 2000 | | | 1999 |
|---|---|---|---|---|
| | Income Allocation | Current Period Change in Market Value | Total | Total |
| | | | *($ Thousands)* | |
| **Basic Account** | | | | |
| Short-term | $ 1,720 | $ (6) | $ 1,714 | $ 1,173 |
| Canadian Bonds | 18,902 | 723 | 19,625 | 15,136 |
| Canadian Equities | 4,589 | 139,345 | 143,934 | 58,903 |
| U.S. Equities | 2,055 | 17,338 | 19,393 | 28,610 |
| International Equities | 1,838 | 6,028 | 7,866 | 17,934 |
| Mortgages | 2,478 | 394 | 2,872 | 1,638 |
| Real Estate | 4,554 | 4,435 | 8,989 | 11,126 |
| Private Placements | 286 | 4,985 | 5,271 | (268) |
| | $36,422 | $173,242 | $209,664 | $134,252 |
| Investment Management Costs | | | (1,573) | (1,477) |
| Net Investment Income | | | $208,091 | $132,775 |
| **Inflation Adjustment Account** | | | | |
| Short-term | $ 351 | $ - | $ 351 | $ 211 |
| Canadian Bonds | 3,364 | 645 | 4,009 | 2,058 |
| Canadian Equities | 741 | 15,736 | 16,477 | 6,469 |
| U.S. Equities | 341 | 1,916 | 2,257 | 3,117 |
| International Equities | 298 | 735 | 1,033 | 1,974 |
| Mortgages | 397 | 37 | 434 | 172 |
| Real Estate | 741 | 492 | 1,233 | 1,189 |
| | $6,233 | $19,561 | $ 25,794 | $ 15,190 |
| Investment Management Costs | | | (164) | (151) |
| Net Investment Income | | | $ 25,630 | $ 15,039 |
| **Total Basic and Inflation Adjustment Accounts** | | | | |
| Total Investment Income | | | $235,458 | $149,442 |
| Total Investment Management Costs | | | (1,737) | (1,628) |
| Total Net Investment Income | | | $233,721 | $147,814 |

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2000

## 4. INVESTMENT INCOME (continued)

The income allocation portion of investment income represents pooled investment portfolio income attributable to the pension fund, as a unitholder, and as calculated by the British Columbia Investment Management Corporation, as well as interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

## 5. CONTRIBUTIONS

| | 2000 | | | | 1999 |
|---|---|---|---|---|---|
| | Basic Account | Inflation Adjustment Account | Supplemental Benefits Account | Total | Total |
| | | | | *($ Thousands)* | |
| **Members' contributions** | | | | | |
| Regular | $17,669 | $3,553 | $ - | $21,222 | $20,130 |
| Arrears | 5 | 3 | - | 8 | 170 |
| Purchase of non-contributory service | 222 | 17 | - | 239 | 1,421 |
| Leave of absence | 82 | 7 | - | 89 | 186 |
| Refund reinstatement | 108 | 11 | - | 119 | 347 |
| | 18,086 | 3,591 | - | 21,677 | 22,254 |
| **Employers' contributions** | | | | | |
| Regular | 13,183 | 2,235 | - | 15,418 | 18,513 |
| Arrears | - | - | - | - | 192 |
| Purchase of non-contributory service | 257 | 18 | - | 275 | 1,390 |
| Leave of absence | 79 | 7 | - | 86 | 210 |
| Supplemental benefits | - | - | 1,617 | 1,617 | 1,266 |
| | 13,519 | 2,260 | 1,617 | 17,396 | 21,571 |
| **Total Contributions** | $31,605 | $5,851 | $1,617 | $39,073 | $43,825 |

Employer Basic Account contributions include the impact of contribution reductions resulting from the 1997 actuarial surplus and the plan partners' Distribution of Surplus Agreement (Note 8).

## COLLEGE PENSION PLAN
## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2000

### 6. ACCOUNT TRANSFERS

| | 2000 | | 1999 | |
|---|---|---|---|---|
| | Basic Account | Inflation Adjustment Account | Basic Account | Inflation Adjustment Account |
| | *($ Thousands)* | | | |
| Present value of current indexing supplements | $ 4,330 | $ (4,330) | $ 1,034 | $(1,034) |
| Indexing of deferred pensions | 388 | (388) | 588 | (588) |
| Excess interest | (15,033) | 15,033 | (8,244) | 8,244 |
| Distribution of Surplus Agreement | (12,234) | 12,234 | - | - |
| | $(22,549) | $22,549 | $(6,622) | $ 6,622 |

A separate account is maintained for funding current and future indexing supplements. This Inflation Adjustment Account is funded through a portion of ongoing contributions from employers and members (Note 8), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the Inflation Adjustment Account to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is also transferred from the Inflation Adjustment Account to the Basic Account.

Excess interest is based only on investment income earned on those Basic Account assets required for pensions currently being paid (approximately $203.8 million of assets for 2000, $164.1 million for 1999). The excess interest rate of return is determined by taking the difference between the actual market rate of return and the rate of return used by the actuary (7.4%) in valuing the plan's liabilities. The actual rate of return is based on a five-year average. The calculated excess interest rate of return for 2000 was 7.4% (1999 – 5.02%). Should the excess interest rate calculation ever result in a negative return, the negative return will be carried forward and offset against future excess returns.

Current year transfers include a one-time transfer of $10 million from the Basic Account to the Inflation Account, that was made under the plan partners' Distribution of Surplus Agreement (Note 11). The total transfer, including interest effective back to November 1, 1998 at the 1999 net earned rate of the plan, was $12.2 million.

## COLLEGE PENSION PLAN
## NOTES TO FINANCIAL STATEMENTS
## FOR THE YEAR ENDED AUGUST 31, 2000

### 7. OBLIGATIONS FOR ACCRUED BASIC PENSION BENEFITS FOR ACCOUNTING PURPOSES

An actuarial valuation is performed at least every three years and its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the pension fund as described in Note 8(b). As part of the actuarial valuation the actuary calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date.

The Basic Account is the account from which the defined guaranteed basic benefits of the plan are paid and from which any indexing that has been granted to retired members, is also paid. Indexing benefits are not guaranteed within the plan provisions and are granted to retired members only to the extent that sufficient money is available from the Inflation Adjustment Account (IAA) to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the necessary net present value funding for the granted indexing. Therefore accrued basic pension benefits, for valuation purposes, include the liability for all indexing granted to the date of the valuation, but not, as yet unknown, future indexing.

The latest valuation was made as at August 31, 1997 by Eckler Partners Ltd. Net actuarial assets in the Basic Account as at that date were $669 million (1994 - $442 million). Liabilities for accrued basic pension benefits were $540 million (1994 - $410 million). As a result, on an accrued benefits basis, there was a Basic Account surplus of $129 million (1994 - $32 million). The next actuarial valuation will be at August 31, 2000 for inclusion in the August 31, 2001 financial statements.

The present value of liabilities for pension benefits accrued to the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. It is required that extrapolations between valuations be calculated and one has been done to August 31, 2000, using the 1999 long-term assumptions. Actuarial liabilities and net assets reflect the following long-term actuarial assumptions:

- annual investment return 7.4%
- annual salary escalation rate 4.9%

On that basis the extrapolated surplus to August 31, 2000 is $127 million (1999 - $143 million).

However, extrapolations are not reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2000

## 8. FUNDING

### a) Contributions

Basic Account

Effective September 1, 1999, members contribute to the Basic Account 4.5% of salaries up to the Canada Pension Plan YMPE ($37,600 in 2000), and 6.0% of salaries above that.

From September 1, 1999 to March 31, 2000, employers contributed to the Basic Account at 4.8% of pensionable salaries up to the YMPE and 6.3% above that, less amounts allocated to the Supplemental Benefits Account (2000 - $286,942; 1999 - $250,092).

As a result of the 1997 actuarial surplus, a $5 million employer contribution reduction was also implemented over two years (1999 - $1.5 million; 2000 - $3.5 million).

Effective April 1, 2000, and as a result of joint trusteeship, a 0.3% reduction to the employer rates was implemented such that employers now contribute at 4.5% of salaries up to the YMPE, and 6.0% above that. Employers also received a contribution reduction credit in the amount of $1.5 million during fiscal 2000. The credit was equivalent to 0.3% of pensionable salaries reported for the period November 1, 1998 to March 31, 2000, in accordance with the partners' Distribution of Surplus Agreement (Note 11).

Inflation Adjustment Account and Supplemental Benefits Account

Effective September 1, 1999, members contribute 1% of salaries to the Inflation Adjustment Account. Employers contribute 1% of salaries to the Inflation Adjustment Account, less amounts allocated to the Supplemental Benefits Account to fund retired member group benefits (2000 - $1.3 million; 1999 - $1.0 million) (see Note 10).

### b) Actuarial Valuation for Funding Purposes

An actuarial valuation of the plan's Basic Account assets and pension obligations is performed at least every three years to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the plan actuary values both accrued assets and benefit obligations to the financial statement date, as well as contributions and benefits for future service. The actuary's calculated contribution rate is based on a level contribution method.

COLLEGE PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2000

## 8. FUNDING (continued)

### b) Actuarial Valuation for Funding Purposes (continued)

Using this method, the contribution rate consists of two elements:

- a level rate which will fully pay for benefits earned by typical new entrants to the plan; and
- a level rate which will maintain the plan's unfunded actuarial liability or surplus as a constant percentage of employer payroll, assuming future contributions are also made at the above rate.

The most recent full actuarial valuation for funding purposes was prepared as at August 31, 1997. This valuation disclosed a surplus for basic pension benefits of $57 million (1994 - unfunded liability of $28 million), assuming future contributions at the statutory rates in effect at the valuation date.

As a result of this valuation, the actuary's calculated level contribution rate for basic pension benefits was 14% of employer payroll, for salaries above the YMPE. The August 31, 2000 actuarial valuation is in progress and will be available to report in the August 31, 2001 financial statements.

The following table shows a key indicator of the financial health of a pension plan, the Basic Account surplus or unfunded actuarial liability (UAL) as a percentage of payroll, for the three most recent actuarial valuations. (Values shown in the table assume future contributions at the statutory rates in place at the time, rather than the actuary's calculated rates.) The results of the August 31, 1997 valuation have not been adjusted for subsequent contribution rate, plan benefit, surplus agreement and long-term actuarial assumption changes.

| Actuarial Valuation Date | Actuarial Value of Basic Account Assets (a) | Basic Account Actuarial Liability (b) | Basic Account (UAL) Surplus (c) | Covered Payroll (d) | (UAL) Surplus as a Percentage of Payroll (c/d) |
|---|---|---|---|---|---|
| | *($ Millions)* | | | | |
| 1991 | 521 | (566) | (45) | 204 | (22)% |
| 1994 | 730 | (758) | (28) | 260 | (11)% |
| 1997 | 1,000 | (943) | 57 | 304 | 19% |

**COLLEGE PENSION PLAN**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED AUGUST 31, 2000**

## 8. FUNDING (continued)

### c) Funding Policy

Basic Account

Effective April 1, 2000, the funding for the plan is governed by Schedule A of the *Public Sector Pension Plans Act*. The new act requires that if, from one valuation to the next, there is a requirement to increase contribution rates, the increase must be shared equally between the employers and the plan members. If there is an actuarial gain from one valuation to the next, the gain must first be applied to offset previous actuarial losses and any outstanding unfunded liabilities, if any. Having satisfied that requirement, the Board of Trustees for the plan may consider one or more of the following options:

- an increase in the reserve established for stabilizing contribution rates
- the transfer of a portion of the gain to an account within the fund established to provide indexing for retired members
- sharing equally in any reduction or elimination of employer and member contributions for a period of time
- changes to benefit provisions

To assess the appropriate level of funding for the Basic Account of the plan, the level contribution funding method is the approved method used for actuarial valuation purposes.

The partners (Note 1) entered into an agreement that sets out the use or distribution of a surplus in the pension fund in the amount of $30 million as at November 1, 1998. The agreement is described in Note 11, and includes the requirement for a $10 million reserve within the Basic Account, as a contribution rate stabilization reserve.

Inflation Adjustment Account

No unfunded liability exists for the Inflation Adjustment Account, since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members full funding for that granted indexing, on a net present value basis, is transferred from the Inflation Adjustment Account to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the plan rules, nor is there any legislative or plan provision or intention to fund the Inflation Adjustment Account to any minimum level of future potential indexing.

**COLLEGE PENSION PLAN**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED AUGUST 31, 2000**

## 8. FUNDING (continued)

### c) Funding Policy (continued)

Inflation Adjustment Account (continued)

The College Pension Board of Trustees monitors the performance of the Inflation Adjustment Account and, at least annually, reviews the projected impact on the account of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefit costs. This sensitivity analysis assists the board to assess, some years in advance of its possible occurrence, the point at which the Inflation Adjustment Account assets may cease to grow and beyond that, the point at which full indexing benefits may not be able to be granted. As long as there are contributions to the Inflation Adjustment Account, there will be some measure of indexing protection for retired members.

Sensitivity analysis, while useful, is future-oriented and therefore is significantly constrained by the uncertainty that the future holds. The analysis is always limited by the fact it is based on assumptions that may vary significantly from actual future economic trends.

Within the above significant constraints, the sensitivity analysis for the Inflation Adjustment Account was updated for August 31, 2000 financial results. The analysis was based on key sensitivity measures and ranges of assumptions including:

- future inflation rates ranging from 1% to 8%
- future long-term real wage growth ranging from 0.25% to 1%
- future real investment returns from 3.5% to 4.5%
- future longer term contributor growth rate from 0% to 3%
- future real increase in retired member extended health costs from 2% to 10%
- the continuation of currently required inflation adjustment account employer and employee contribution rates
- up to 100% of employer contributions, that would otherwise be paid into the Inflation Adjustment Account, can be used to fund retired member dental, extended health and medical plan costs (sensitivity analysis projects that such costs could result in no employer contributions to the Account within a range of 17 to 71 years).

In all the sensitivity models reviewed, the Inflation Adjustment Account assets were projected to continue to grow for at least 20 years; and the projected prospect of less than full indexing would be beyond that point.

**COLLEGE PENSION PLAN**
**NOTES TO FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED AUGUST 31, 2000**

## 9. RELATED PARTY TRANSACTIONS

### a) Administration Costs

Administration costs include general benefit administration costs, actuarial fees and Board of Trustees' expenses. General administration costs incurred by the Pension Corporation are prorated and charged to each pension plan under its administration based primarily on the relative numbers of members in each plan.

### b) Investment Management Costs

The British Columbia Investment Management Corporation manages investments on behalf of the plan trustees and uses internal and external investment managers for this purpose. Total investment management fees for 2000 were $1,737,465 (1999 - $1,628,476).

## 10. SUPPLEMENTAL BENEFITS

The Supplemental Benefits Account provides for the payment and funding of supplemental benefits, such as contributions and pension benefits which exceed *Income Tax Act (Canada)* limits, and group medical, extended health and dental benefits for retired members. Retired member group benefits are fully funded by employer contributions.

## 11. SUBSEQUENT EVENT

As part of joint trusteeship, the partners (Note 1) were required to enter into an agreement that set out the use or distribution of a $30 million surplus in the pension fund estimated as available as at November 1, 1998. This Distribution of Surplus Agreement is dated November 28, 2000 and reflects the transitional arrangements made when joint trusteeship of the plan was agreed in 1998. The agreement outlines the distribution of the estimated actuarial surplus as at November 1, 1998, as follows:

- A lump sum $10 million transfer from the Basic Account to the Inflation Adjustment Account, with interest from November 1, 1998 to the transfer date. This transfer was effected in August 2000.
- $10 million for a current year employer basic account contribution reduction equivalent to 0.3% of pensionable salaries for the period November 1, 1998 to March 31, 2000. This reduction was applied as a credit to July 2000 basic account contributions otherwise paid by employers. The $10 million also funds a 0.3% reduction in the employer contribution rate effective April 1, 2000.
- $10 million reserved within the Basic Account as a contribution rate stabilization reserve to mitigate potential future contribution rate increases.